CONTRACTION OR EXPANSION?

REPUDIATION OR RESUMPTION?

LETTERS TO THE HON. HUGH M'CULLOCH,
SECRETARY OF THE TREASURY.

25.6

BY

HENRY C. CAREY.

C - V

PHILADELPHIA:
HENRY CAREY BAIRD,
INDUSTRIAL PUBLISHER,
306 WALNUT STREET.
1866.

HG525
.C25

PHILADELPHIA:
COLLINS, PRINTER, 705 JAYNE STREET.

LETTERS TO THE HON. H. McCULLOCH,

SECRETARY OF THE TREASURY.

LETTER FIRST.

DEAR SIR:—

FULLY agreeing with you, as I do, in regard to many most important questions of public policy, it is with great regret that I find myself so wholly differing in reference to the existence of that "plethora of paper money" of which you speak, and to which you now attribute the "large importation of foreign fabrics;" the "splendid fortunes realized by skilful manipulations at the gold room or stock board;" the "rise in the prices of the necessaries of life;" the increase in the number of "non producers;" and the most important fact that "productive industry is being diminished."

That this, to a considerable extent, is an accurate exhibit of the actual state of affairs I am not at all disposed to doubt, but were I even to admit its perfect accuracy the questions would still remain: Why are such the facts? Why is it that men are now unemployed who but a twelve month since were so fully occupied? Why is it that our foreign debt so steadily increases? To these questions you furnish one general answer, that "paper money" is too abundant; and that if we would bring about a more healthy state of things its quantity must be diminished. I, on the contrary, hold that no such "plethora" exists, and that the real cause of all this error must be sought for in a direction precisely opposite, there to be found in measures of contraction with which the country has been threatened; and fully do I believe that if we would bring about a more healthy condition of affairs it is required that we move in a direction exactly the reverse of that which you so recently have indicated.

Differing thus widely, one of us must be much in error. It may be that I am wrong, but until I can look at the facts in a manner very different from that in which they now present themselves to my mind, I must continue to believe that I am right. The error may, possibly, my dear sir, be with yourself, and if it can be shown that such is the case, you will, I am sure, rejoice at being so convinced. So believing, I propose,

with a view to the determination of the question whether such "plethora" does or does not exist, to furnish here a comparison of the actual circulation of the three chief commercial countries of the world, France, Great Britain, and the United States; of the needs of each for such circulation; and of their power profitably to use it. Should the result of such comparison be that of proving that not only is our medium of circulation not in excess in its relation to population and production, but that it is greatly short in the proportion which it bears to both, then, as I most respectfully submit, will it be necessary to look in a direction opposite to that of "plethora of paper money" for the cause of error, and there, on further examination, perhaps it may be found.

Seven years since the coin in use in France was estimated at 4,880,000,000 francs, or more than $900,000,000. Since then the quantity must have increased, the substitution of the convenient gold for the heavy and cumbrous silver coins that even then were still so generally in use having, as has been stated by a recent writer, had the effect of placing napoleons in pockets that before could carry only francs. Admitting, however, that the increase has been sufficient only to add to the coin in the hands of the public as much as before had been in the bank vaults, we have a hard money circulation of $900,000,000*
To which must now be added the "paper money" circulation, which may be taken at about . . 170,000,000†

Giving a grand total of $1,070,000,000
Or nearly $30 per head.

The coin actually in use in Great Britain and Ireland was estimated a few years since at £60,000,000. Since then it must greatly have increased, but, claiming no allowance on that account, I put it here at the same figure, being the equivalent of only . . . $300,000,000

The "paper money" circulation of the past few years has varied between 37½ and 42½ millions. Taking the mean of these quantities we have the equivalent of about . . . 200,000,000

To this must now be added a paper circulation of a character little known in this country, and consisting of promises of individuals, in the form of bills of exchange, to deliver money at a future day. Of these, large quantities are in constant circulation, returning finally to their payers covered with indorsements, sometimes 15, 20, and even more

---

* From 1850 to 1865 the importations of the precious metals were in excess of the exportations to the extent of $334,000,000. The quantity held in 1852 was estimated by M. du Puynode at 3,500,000,000, or nearly $700,000,000.

† The amount in 1853 was only 395,000,000 francs. From that time it had grown with great steadiness until, in 1862, it had attained the figure of 869,000,000. In 1864 it was 804,000,000.

in number, and having throughout the whole period of their existence performed all the service that here is performed by bank notes. The whole quantity of bills of exchange outstanding at any given time was estimated, some years since, at £200,000,000, and must now be greatly larger. Allowing here but one-fifth of that sum to be used for purposes of circulation, we have the equivalent of 200,000,000

Giving a grand total of $700,000,000

Or but little less than $25 per head.

The actual circulation of the Union, as just now furnished by the Comptroller, we know to be $460,000,000, being $12:50 per head, or one-half of that of Great Britain and Ireland.* Compared with that of

---

* The amount of national bank notes in actual circulation on the 1st day of October last, was		$171,321,903
The amount of State bank notes in circulation at the same date, as appears by returns to the Commissioner of Internal Revenue, was		78,867,575
Making the bank circulation on the 1st day of October last .		250,189,378
The amount of legal-tender notes and fractional currency issued and outstanding on the 1st of October, 1865, was . . .		704,584,658
National bank notes in the hands of banks not yet issued .		19,525,152
National currency yet to be issued to banks		109,152,945
Making the aggregate amount of legal tender and bank notes in circulation as authorized to be issued to and by the banks		1,083,452,233
From which sum should be deducted, State bank circulation now outstanding that will be retired about as fast as national currency is issued to converted banks	$78,867,575	
Also the amount of "compound interest notes" converted into 5-20 bonds since the 1st of October last	44,417,329	
		123,284,904
The amount then left as the available currency of the country is		960,167,326
In order to ascertain the amount of actual active circulation on the 1st day of October last, there should be deducted from the last mentioned sum—		
The amount of national currency delivered to banks, and not then in circulation . .	$19,525,152	
National circulation not delivered to banks .	109,152,945	
Amount of legal-tender notes held by banks, including $74,261,847 compound interest notes,	193,094,365	
Carried forward	$321,772,462	$960,167,326

France it stands in the ratio of but 5 to 12; and yet, for various reasons, we should be entitled to expect to find it bearing to population a larger proportion than in either one of those countries. Among these reasons are the following:—

First. To pay any given number of mechanics or laborers required, before the war, more than twice the quantity of circulation that would have been needed in France; and one-half more than would have been required in Great Britain. The war having been accompanied by the establishment of a National Free Trade System there came a greatly increased demand for laborers with so large an increase of wages that the quantity of circulation now required for paying any given number of hands must be taken at twice that needed by the latter and thrice that required by the former.

Second. The proportion borne by circulation to numbers tends rapidly to increase as population becomes more widely scattered, and as rapidly to diminish as men are enabled to come more near together. That this is so, is shown in the fact that thousands of millions of exchanges are weekly performed in New York and other great commercial cities without the necessity for using a single note; whereas, among a scattered people like our own, every exchange, large or small, necessitates the delivery of a given quantity of coin or "paper money." Such being the case, the 36,000,000 of our people, dispersed over a territory eight times more extensive than that occupied by the 37,000,000 of France, and twelve times greater than that of the United Kingdom, might fairly be expected to demand a circulation, per head, thrice greater than that of either of those countries; and yet, as has been shown, it is but half as great as that in use in the one, and much less than half that employed by the other. Is it then, my dear sir, to be believed that there is among us, really, any of that "plethora" of which you have spoken? As it seems to me did we need to find one it would be beyond the ocean that we should seek it.

Brought forward	$321,772,462	$960,167,326
Compound interest notes, other than those held by banks, mostly held as investments by insurance and trust companies and savings banks, less say $10,000,000 in actual circulation .	121,314,195	
Currency in the treasury of the United States,	56,236,440	
Total		499,323,097
Which will show the actual circulation to be		$460,844,229

This favorable exhibit of the amount of paper in actual circulation, is owing in a great degree to the accumulation of currency in the hands of the banks, in the absence of the great demands of the government for currency since the close of the war.—*Report of the Comptroller of the Currency.*

The grand error that, as it seems to me, we are accustomed to commit, is that which results from limiting ourselves to a comparison of the various periods of our own financial history, leaving wholly out of view the facts furnished by the history of other commercial nations. Thus, in the comparative view of our circulation given in your Report it is shown that it grew from $60,000,000 in 1830 to $140,000,000 in 1836; and from $58,000,000 in 1843 to $207,000,000 in 1860; but those facts are not supplied by means of which your readers might be enabled to judge as to whether or not even the largest of these figures was in excess of the absolute wants of the community—whether it did, or did not, indicate the existence of any "plethora of paper money." That it did not do so has seemed to me, and must now, as I think, appear to you, to be very certain. On the contrary, when compared with other commercial countries it furnishes conclusive evidence that the supply of the medium of circulation had always been deficient, and thus enables us to understand more accurately the real cause of the extraordinary activity of the societary circulation which prevailed throughout the war, and to which our people have been indebted for power to give to the government the thousands of millions of dollars required for enabling it to dictate the terms of peace.

Of all the phenomena exhibited during the wonderful war in which we have been engaged, among the most extraordinary are those connected with the transportation of vast armies and all the vast supplies by them required, throughout a country of such vast extent, and over roads scarcely any portion of which south of the Delaware could boast of more than a single track, that, too, supplied with rails of the poorest kind. Never in the world, even under circumstances far more favorable, has such an amount of transportation been effected—never so large an amount of public work so well accomplished. Precisely so has it been, and now is, with the machinery by means of which circulation is effected from hand to hand, no country having ever yet performed so large an amount of exchanges by means of a medium of exchange the supply of which was so utterly disproportioned to the amount of production, to the quantity of exchanges needed to be made, or to the number of people empowered to make them. So far from "plethora" having either then or at any previous time existed, the financial history of the Union presents an uninterrupted series of figures the study of which is calculated to excite surprise that so much has always been done when the supply of machinery by means of which alone it could be done, has throughout our whole experience been so deficient. No other people, with such means, could so well have effected the transportation of the war; no other could, with such a supply of the medium of exchange, have so well effected the exchanges of both war and peace.

Proposing in another letter to examine into the influence of "paper money" on the action of the past five years, I remain, meanwhile, with great respect and regard,

Yours very truly,
HENRY C. CAREY.

PHILADELPHIA, January 28, 1866.

LETTER SECOND.

DEAR SIR:—

HAD it been possible, on the 4th of March, 1861, to take a bird's-eye view of the whole Union, there would have been seen—

Millions of men and women wholly or partially unemployed, because of inability to find persons able and willing to pay for service:

Hundreds of thousands of workmen, farmers, and shopkeepers holding articles of various kinds for which no purchasers could be found:

Tens of thousands of country traders poring over their books seeking, but vainly seeking, to discover in what direction they might look for obtaining the means with which to discharge their city debts:

Thousands of city traders endeavoring to discover how they might obtain the means with which to pay their notes:

Thousands of mills, factories, furnaces, and workshops large and small, standing idle while surrounded by persons who desired to be employed; and,

Tens of thousands of bank, factory, and railroad proprietors despairing of obtaining dividends by means of which they might be enabled to go to market.

High above all these a National Treasury wholly empty, and to all appearance little likely ever again to be replenished.

Why was all this? The laborer needing food, and the farmer clothing, why did they not exchange? Because of the absence of power on the part of the former to give to the latter anything with which he could purchase either hats or coats.

The village shopkeeper desired to pay his city debts. Why did he not? Because the neighboring mill was standing idle while men and women, indebted to him, were wholly unemployed.

The city trader could not meet his notes, because his village correspondents could not comply with their engagements. The doctor could not collect his bills. The landlord could not collect his rents; and all, therefore, from laborer to landlord, were compelled to refrain from the purchase of those commodities to whose consumption the National

Treasury had been used to look for the supplies upon which it thus far had depended.

With all, the difficulty resulted from the one great fact already indicated in regard to the laborer. If *he* could have found any one willing to give him something that the farmer would accept from him in exchange for food—that the farmer could then pass to his neighbor shopkeeper in exchange for cloth—that that neighbor could then pass to the city trader in satisfaction of his debt—and that this latter could then pass to the bank, to his counsel, his physician, or his landlord—the *societary circulation* would at once have been re-established and the public health restored.

That one thing, however, was scarcely anywhere to be found. Its generic name was *money*, but the various species were known as gold, silver, copper, and circulating notes. Some few persons possessed them in larger or smaller quantities; but, the total amount being very small when compared with that which was required, their owners would not part with the use of them except on terms so onerous as to be ruinous to the borrowers. As a consequence of this, the city trader paid ten, twelve, and fifteen per cent. per annum for the use of what he needed, charging twice that, to the village shopkeeper, in the prices of his goods. The latter, of course, found it necessary to do the same by his neighbors, charging nearly cent. per cent.; and thus was the whole burthen resulting from deficiency in the supply of a medium of exchange thrown upon the class which least could bear it, the working people of the country—farmers, mechanics, and laborers. As a consequence of this, they shrunk in their proportions as the circulation became more and more impeded, while with those who held in their hands the regulation of the money supply the effect exhibited itself in the erection of those great palaces which now stand almost side by side with tenement houses whose occupants, men, women, and children, count by hundreds. The rich thus grew richer as the poor became more poor.

Why was all this? Why did they not use the gold of which California had already sent us so many hundreds of millions? Because we had most carefully followed in the train of British free trade teachers who had assured our people that the safe, true, and certain road towards wealth and power was to be found in the direction of sending wheat, flour, corn, pork, and wool to England in their rudest form, and then buying them back again, at quadruple prices, paying the difference in the products of Californian mines! Because we had in this manner, for a long period of years, been selling whole skins for sixpence and buying back tails for a shilling! Because we had thus compelled our people to remain idle while consuming food and clothing, the gold meanwhile being sent to purchase foreign food and clothing for the workmen of London and Paris, Lyons, Manchester, and Birmingham!

Why, however, when circulating notes could so easily be made, did not

the banks supply them, when all around would so gladly have allowed interest for their use? Because those notes were redeemable in a commodity of which, although California gave us much, we could no longer retain even the slightest portion, the quantity required abroad for payment of heavy interest, and for the purchase of foreign food in the forms of cloth and iron, having now become fully equal to the annual supply, and being at times even in excess of it.* That demand, too, was liable at any moment to be increased by the sale in our markets of certificates of debt then held abroad to the extent of hundreds of millions, the proceeds being claimed in gold and thus causing ruin to the banks. To be out of debt is to be out of danger, but to be in debt abroad to the extent of hundreds of millions is to be always in danger of both public and private bankruptcy. *The control of our whole domestic commerce was therefore entirely in the hands of foreigners who were from hour to hour becoming richer by means of compelling us to remain so dependent upon them that they could always fix the prices at which they would buy the skins, and those at which they would be willing to sell the tails.* As a necessary consequence of this, the nation was not only paralyzed, but in danger of almost immediate death.

Such having been the state of things on the day to which I have referred, let us now look at the remedy then required. Let us, for a moment, suppose the existence of an individual with wealth so great that all who knew him might have entire confidence in the performance of what he promised. Let us then suppose that he should have said to the laborers of the country, "Go into the mills, and I will see that your wages are paid;" to the millers, "Employ these people, and I will see that your cloth is sold;" to the farmers, "Give your food to the laborer and your wool to the millers, and I will see that your bills are at once discharged;" to the shopkeepers, "Deliver your coffee and your sugar to the farmer, and I will see that payment shall forthwith be made;" to the city traders, "Fill the orders of the village shopkeeper and send your bills to me for payment;" to the landlords, "Lease your houses and look to me for the rents;" to all, "I have opened a *clearing house* for the whole country, and have done so with a view to enable every man to find on the instant a cash demand for his labor and its products, and my whole fortune has been pledged for the performance of my engagements;" and then let us examine into the effects. At once the societary circulation would have been restored. Labor would have come into demand, thus

---

* From November, 1849, to December, 1864, the gold shipped from California amounted to $694,908,923
Excess exports of the precious metals in the same period . 587,746,078

Balance $107,162,845

Allowing now but $7,000,000 for the annual consumption in the arts, the whole balance would have been thus disposed of.

doubling at once the productive power of the country. Food would have been demanded, and the farmer would have been enabled to improve his machinery of cultivation. Cloth would have been sold, and the spinner would have added to the number of his spindles. Coal and iron would have found increased demand, and mines and furnaces would have grown in numbers and in size. Houses becoming more productive, new ones would have been built. The *paralysis* would have passed away, life, activity, and energy having taken its place; and all these wonderful effects having resulted from the simple pledge of the one sufficient man that he would see the contracts carried out. He had pledged his credit and nothing more.

What is here supposed is almost precisely what then was done by the National Treasury, the only difference having been, that while in the one case the farmers and laborers had been required to report themselves to the single individual or his agents, the Government has since, by the actual purchase of labor and its products, and the grant of its pledges in a variety of shapes and forms, enabled each and every man in the country to arrange his business in the manner that to himself has seemed most advantageous. To the laborer it has said, "We need your services, and in return will give you that which will enable your family to purchase food and clothing." To the farmer, "We need food, and will give you that by means of which you can pay the shopkeeper." To the manufacturer, "We need cloth, and will give you that which will enable you to settle with the workman and the farmer." To the naval constructor, "We need your ships, and will give you that which will enable you to purchase timber, iron, and engines." In this manner it is that domestic commerce has been stimulated into life, the result exhibiting itself in the facts, that while we have in the last five years increased to an extent never known before the number of our houses and our mills, our mines, and furnaces, our supplies of food, cloth, and iron; and while we have diversified our industry to an extent that is absolutely marvellous; we have been enabled to lend, or pay, to the Government thousands of millions of dollars, where before, under the system which made us wholly dependent on the mercy of the wealthy capitalists of England, we found it difficult to furnish even tens of millions. The whole history of the world has presented no case of a financial success so perfect.

In the physical body health is always the accompaniment of rapid circulation, disease that of a languid one. Now, for the first time since the settlement of these colonies, have we had experience of the first. Every man who desired to work, found a purchaser for his labor. Every man who had labor's products to sell, found a ready market. Every man who had a house to rent, found a tenant. And why? Because the Government had done for the whole nation what Companies do for localities when they give them railroads in place of wagon roads. It had so

facilitated exchange between consumers and producers, that both parties had been enabled to pay on the instant for all they had had need to purchase.

Important, however, as is all this, it is but a part of the great work that had been accomplished. With every stage of progress there had been a diminution in the general rate of interest, with constant tendency towards equality in the rate paid by the farmers of the East and the West, by the owner of the little workshop and by him who owns the gigantic mill. For the first time in our history the real workingmen—the laborer, the mechanic, and the little village shopkeeper—had been enabled to command the use of the machinery of circulation at a moderate rate of interest. For the first time had nearly all been enabled to make their purchases cash in hand, and to select from among all the dealers those who would supply them cheapest. For the first time had this class known anything approaching to real independence; and therefore has it been that, notwithstanding the demands of the war, the power of accumulation has been so great. The gain to the community from the economy of labor and labor's products has counted by thousands of millions of dollars, and it has been because of that gain that we have been enabled to furnish to the Government an amount of contributions so far exceeding anything of the kind that the world before had known.

The power of accumulation exists in the ratio of the rapidity of circulation, and it does so because the greater that rapidity the more complete is the economy of human force, the greater the production, and the more complete the economy of interest. That that power may grow a full supply of the medium of circulation is as much required as is a proper supply of railroad cars and engines. Without these latter there would be few exchanges between the East and the West, the North and the South; and without the former it is wholly impossible that there should be that rapidity in the exchange of human service to which alone must we look if we would have increase of production and of societary force.

The view above presented of our power of accumulation throughout the period of Mr. Lincoln's administration differs slightly from that which commonly is entertained; and yet, my dear sir, when you shall have reflected upon the facts which I shall now present, you will, as I feel assured, agree with me in the belief that it has not been overrated. It is probably true, as is so frequently asserted, that less than the average number of city houses has been built, but the growth of towns and villages has been great beyond all former precedent. Look to the coal and iron regions—to the oil region of the Ohio and its tributaries—and to the wonderful mineral one beyond the Mississippi, and you will find that there have been there created homes for millions of men, their wives and children. Little cotton machinery, it is true, has recently been built, but we have more than doubled our power to produce both wool and

woollen cloth. Rolling mills now exist, capable of furnishing annually 750,000 tons of bars, while the power by means of which those bars may be converted into ships, engines, and other machinery of transportation and production has more than doubled, and has, probably, even trebled. Factories have been created capable of supplying almost the world's demand for various instruments of production or defence; sewing machines on the one hand, pistols, rifles, and Parrot guns on the other. The quartz mills have been created to which we are now, as we are assured, to look for an immediate production of the precious metals to the annual extent of $200,000,000. For every engine five years since there are now, as I think, more than three at work. Throughout the vast fields of the West machines are everywhere doing the work that five years since was done by human hands. Fewer miles of railroad may have been constructed, but the rolling stock of all has been so much increased that the power of transportation throughout the loyal States has more than doubled. St. Louis presents to-day, as we are told, an amount of steam tonnage two-fifths greater than there existed before the war; and yet, so great has been the quantity of produce seeking to go to market that the Pennsylvania Central, at Pittsburg, has recently been blocked by 2500 loaded cars, for the movement of which no power could be furnished. Look, then, in what direction we may, whether to the greater or smaller machinery of production, we witness an increase of quantity so great as fully to warrant us in the belief that, leaving wholly out of view the sums invested in loans to cities, counties, States, and to the general government, at no period has the power of accumulation been much more than half as great as it has been shown to be in the years of the great war that has now so happily terminated.

For all these successful results we stand indebted to the combined action of two great measures of the administration; *first*, the adoption of a national free trade system, by aid of which producers and consumers were to be brought to act together; and *second*, the adoption of a national system of circulation based entirely on the credit of the government with the people, and not liable to interference from abroad. Both were needed, and neither one could, without the other, have been productive of the great results that have been achieved. To the latter of them, however, you object, on the ground that it has caused an unnatural and injurious rise of prices; that it has lessened the disposition to exertion; and that it tends now to cause great diminution in the productive industry of the community. To all this I answer that, when carefully examined, the facts do not seem to me to sustain these objections, and that such is certainly the case I propose in my next to show, meantime remaining, with great respect,

Yours, very truly,

HENRY C. CAREY.

PHILADA., Jan. 30, 1866.

LETTER THIRD.

DEAR SIR:—

BEFORE proceeding to inquire into the changes of price so generally attributed to that "plethora of paper-money" of which you have spoken, it may be well to determine what, precisely, they recently have been. To that end, I give you here the actual prices of the New York market, as just now furnished by the *Merchants' Magazine*, for the closing week of the year which preceded the joint inauguration of Mr. Lincoln and of a national free trade policy, and for the corresponding week of the several years that since have passed, as follows:—

	1860.	1861.	1862.	1863.	1864.	1865.
Ashes	$5 00	$6 25	$8 50	$8 50	$11 75	$9 00
Flour, State . . .	5 35	5 50	6 05	7 00	10 00	8 75
Wheat, red . . .	1 38	1 42	1 48	1 57	2 45	2 05
Corn	72	64	82	1 30	1 90	95
Hay	90	77	85	1 45	1 55	75
Hops	25	20	23	33	40	50
Hemlock leather .	30	20	27	30	42	36
Lime	75	65	85	1 30	1 15	1 10
Pork, old mess . .	16 00	12 00	14 50	19 50	43 00	28 50
Beef, city mess .	6 00	5 50	12 00	14 00	20 50	20 00
Hams	8	6	8	11	20	16
Lard	10	8	10	13	23	19
Butter	18	19	22	29	55	48
Cheese	10	7	12	15	20	18
Tallow	10	10	10	12	18	14
	$37 21	$33 63	$46 17	$56 05	$94 48	$73 11

From this list have been excluded cotton and naval stores, both of which, during the blockade, were so very high and have since so greatly fallen. For special reasons, however, many of these very articles might with equal propriety have been omitted. Of wheat, for instance, the crop of the last year was less by 12,000,000 bushels than that of 1864, that itself having been less by 16,000,000 than had been the one of 1863. This, of course, largely affects the present prices of both wheat and wheaten flour. Butter and cheese are higher than they would otherwise be, because of the very considerable diminution in the number of cows exhibited in the recent Report of the Commissioner of Agriculture. A corresponding diminution in the number of cattle generally, coupled with the existence of a cattle plague throughout a large portion of Europe,

accounts for an increase in the prices of both beef and pork.* Allowing for all these circumstances, I would now, my dear sir, most respectfully beg you to reflect on the answers that might properly be given to the following questions, to wit:—

First. Comparing present prices with those which ruled before the war, is there here exhibited any increase that might not have taken place had there been no change whatsoever in the circulation?

Second. Making the same comparison, and allowing for the fact that from the increased prices of 1865 is to be deducted the increased rate of freight, most of which has been rendered necessary by the heavy taxation of coal, iron, cars, engines, receipts, dividends, &c. &c., would the western farmer, except for the accidental circumstance of a deficient supply of wheat occurring simultaneously with the existence of a cattle plague abroad, receive to-day even as much in paper as he had before in gold?

Third. Leaving wholly out of view, with the single exception of a cattle plague occurring simultaneously with a diminution in our own supply of cattle, all of the circumstances above referred to, would there, in the prices current, now be found as great a change for the better as we should have been warranted in expecting from the creation of that great internal commerce which had resulted from the adoption, in 1861, of a policy having for its object the bringing together of the producer and the consumer, to the great advantage of both?

Fourth. Is there to be found in the above exhibit any evidence that the farmer now profits of the events of the past few years even to such extent as is absolutely required for enabling him to continue payment of the heavy taxes, local and national, now imposed?

Fifth. Must not any attempt at further forcing down prices, with a view to compelling export of our products in exchange for gold, be followed by inability to pay the taxes and by financial and political ruin?

Sixth. Do not all the facts above given show clearly, that what we really need is such a stimulation of the societary circulation as would cause that increased demand for all the products of the farm which would maintain their prices and diminish the necessity for employing our people in that which is the proper work of the barbarian and the slave, and of them alone, to wit, that of raising raw products for the supply of distant markets?

Throughout the period of Mr. Lincoln's administration that circulation was active to an extent never before known in any country of the world, and to that activity, as has been shown, have we been indebted for power successfully to prosecute the war. How we have been indebted to

* So much has the demand for beef exceeded the supply, that, notwithstanding large imports from Canada, the number of cattle and oxen reported by the Commissioner of Agriculture is now nearly a million less then it was six years since.

increase in the supply of the medium of circulation for promoting that activity, and thus enabling us to supply the thousands of millions rendered necessary by the war, has been also shown. What have been the precise facts connected with the change of prices above exhibited I propose, in my next, to show, and have now to ask for them your careful consideration. Meanwhile, my dear sir, permit me here to say a word or two in regard to my own position. Throughout the war I have been a heavy sufferer under the legal-tender system, having been, as I still am, compelled to accept paper in place of the gold that honestly was due me, and to pay double or treble price for almost everything I required to purchase. My *apparent* interests are, therefore, all on the side of an early return to specie as the standard, but well do I know that my *real* interests are so closely bound up with those of my neighbors that what must be bad for them cannot be good for

Yours truly and respectfully,

HENRY C. CAREY.

PHILADELPHIA, February 3, 1866.

LETTER FOURTH.

DEAR SIR:—

At the close of 1860, the "paper money" circulation of the loyal States amounted to $150,000,000. Adding to this the precious metals then in actual use, the total circulation cannot materially have exceeded $250,000,000.

The following summer witnessed a withdrawal of nearly the whole of the Western circulation consequent upon losses caused by the rebellion. The precious metals were still in use, but the tendency towards hoarding had greatly grown, and the total circulation, even after the issue of $50,000,000 of Treasury notes authorized by the law of July, 1861, had at the close of the year certainly much diminished.* The consequences of this exhibit themselves in the table heretofore given, in a reduction of about 10 per cent. in the sum of the New York prices, equivalent to at least 25 per cent. in those of the West.

The Act of February, 1862, authorized the issue of legal tender notes to the extent of	$150,000,000
That of July, 1862	150,000,000
Adding now to this for the bank notes in circulation .	100,000,000
We have at the close of the year a total of . . .	$400,000,000

* Even as late as December, 1862, the State bank circulation, as given in the annual report, was but $97,000,000.

exhibiting an addition of scarcely less than 60 per cent.; and yet, the increase in the sum of prices, as has been shown, was but from $37.21 to $46.17, or $8.96; and of this trivial augmentation two-thirds are seen to have resulted from an increased demand for the beef required for supplying the hundreds of thousands of men engaged in the effort at maintenance of the Union. There is, certainly, here no difference that might not as readily have taken place under a moderate extra demand from abroad, had the circulation remained entirely unchanged.

In March, 1863, there was authorized a further emission of legal tender notes, the amount of which was now to be carried up to $450,000,000
The fractional currency issued may then have reached 20,000,000
The State bank circulation, as returned to the Comptroller, was $147,000,000, to which must now be added that of the banks from which no returns had been received, giving a total of probably not less than 155,000,000
National bank circulation probably 5,000,000
To which must here be added interest bearing legal tenders issued in the last quarter of the year, and all then in circulation among the people, estimated at 60,000,000

Total circulation Dec., 1863 . . . . . $690,000,000

In three years the circulation had thus almost trebled, and with what effect on prices? The $37.21 of the dull and lifeless period which followed the election of Mr. Lincoln had been replaced by the $56.05 of the period of life and animation of December, 1863, showing an aggregate difference of $18.84, nearly two-thirds of which are found in the two articles of beef and pork, the army demand for both of which had been so immense. Here again there is found no increase that, under circumstances otherwise similar, might not properly have been looked for, had gold remained the standard.

With 1864, we have no increase of circulation except that which resulted from additional issues by State and National banks. What was the extent of the former I have no means of knowing, but see no reason for believing that it was very great. Of National bank notes, the total quantity supplied to the first of October had been $65,000,000; but, as shortly after stated in your annual Report, they were "to a considerable extent" merely a substitution of National for State currency. In all cases, the institutions receiving notes found themselves compelled by law to retain on hand one-fourth of the amount in legal tenders, which were thus withdrawn from circulation, and constituted an offset so large as almost to neutralize the issues to the new banks that had been then created. The interest bearing legal tenders may somewhat have increased, but, having been steadily withdrawn from circulation as they

grow in value, the increase cannot have been very great. Further than this, the high price of gold having withdrawn from it all the private hoards of the country, the hoarding of "greenbacks" had not only now commenced, but had made such progress as to constitute an important element in the estimate here, for the close of the year, to be made of the "paper money" then outstanding. Allowing for all these circumstances, the highest estimate of the circulation that could now be made would scarcely, as I think, exceed $750,000,000, giving an increase of 60 millions, or from eight to nine per cent.

In the mean time, however, the field throughout which this "paper money" was to be diffused had greatly been enlarged. At the close of 1863 there had been, except near New Orleans, scarcely a foot of ground south of the Potomac, the Ohio, or the Missouri, that was securely held; and of the expenditures in the field by far the larger portion was being made at points that were but very little further southward. Now, however, all had changed, the seat of war having been transferred to the vicinity of the James, the Alabama, and the Savannah. Adding to this the fact that the States of Colorado, Nevada, and Montana were being rapidly created; while Nebraska and Minnesota were as rapidly increasing in the numbers of their population; it will be seen that the surface over which a medium of circulation was required must have been, to say the least of it, one-half greater than it had been at the close of the previous year. Making now allowance for all these facts, it is, as I think, safe to say, that the proportion borne by circulation to the need for it, *had in that year been diminished at least a fourth;* and yet, within that year the $37.21 of 1860, and the $56.01 of 1863, had become the $94.45 of 1864. Thus are we presented with the extraordinary facts, that while the circulation was being increased prices had but slightly risen; whereas, now, when, in practical effect, it had been materially reduced, they had risen with great rapidity; showing, and very clearly, as it appears to me, that the extraordinary changes we recently have witnessed have not been caused by increase of circulation, and that it is not in the direction of its diminution that we are to look if we desire to bring about resumption.

The real cause of all this extraordinary rise, in the face of a diminution in the proportion borne by circulation to the need for it, is found in the following paragraph of the Comptroller of the Currency, to wit:—

"By a gold valuation of our imports and exports, the balance that has accrued against this country during the four years previous to the 30th day of June last, including the interest on American securities held abroad purchased within that time, and also taking into due consideration the difference between our own standard and that of foreign gold (9⅜ per cent.), has been $308,000,000."

This, of itself, would be sufficient to account for all the rise of gold, and rise of "paper money" prices, that occurred in 1864; and yet, thereto

must now be added a sum almost, if not even quite, as large, for covering the expenditures of our travellers in Europe; the interest on stocks and bonds held in Europe before the war; the freights, and the under-valuations of imports. It is safe, as I believe, to estimate our expenditures abroad as having exceeded our exports to the annual extent of $150,000,000, or, in the whole, $600,000,000. The only commodity in which this balance could be paid was gold, the price of which naturally rose until it had so thoroughly emptied all the hoards of the country, public and private, that scarcely any now remains except what is indispensably necessary for the payment of interest by, and of duties to, the Government.

It fell with the opening of southern ports and the emancipation of cotton, and with it fell, too, the prices of each and all of the commodities in the list above presented. Is there, however, to be found any evidence that the "plethora of paper money" had controlled the prices of our various products? None, whatsoever! On the contrary, the changes are precisely such as must, under similar circumstances of supply and demand, have occurred had the idea of a legal tender note had no existence. The total difference between the sum of the prices of 1860 and 1865 is $35 90, of which three-fourths, even, are here found in the articles of pork and beef, leaving but $9 40 for all the others. Hay, for "paper money" is cheaper than when it was payable in gold. Wheat commands now far more gold than it did in 1864. Why? Because the crop proved short! Butter remains high because cows have become far less numerous. Oats are scarcely higher than they were five years since. Corn has fallen to half the price of 1864, because the crop has been very large. Such are the results, when we compare the New York prices, increased as they are by the present enormous charges for transportation, but when we look West, we find that corn is being used for fuel, while wheat is in some places selling at 40 cents, and oats at only eight! That such prices must, in a great measure, deprive the western farmer of power to contribute to the Federal revenue would seem to be very clear; yet is there an unceasing cry for further reduction, that cry coming, too, chiefly from men who are most urgent for "thorough taxation," speedy resumption, and prompt discharge of the public debt! Could the editors to whom we are indebted for such advice be persuaded to study carefully the facts above presented, they could scarcely, as I think, fail to see that further travel in that direction must lead to public bankruptcy, political revolution, and a perpetuity of "paper money" as the exclusive medium of circulation.

That "paper money" is democratic in its tendencies may readily be seen by all who study the fact that it is scarcely at all used by the great operators in foreign merchandise of whom you have spoken, or by the stock board operators to whom you yourself, my dear sir, have referred.

Thousands of millions pass and repass among such people without the aid of a single note; whereas, among the small operators of our cities—the workmen of our factories—the laborers in our fields—the farmers and miners of the West—there exists an absolute necessity for *a letter of credit*, in the form of a bank or treasury note, to be used on the occasion of each and every exchange of commodities or services that is made. A war upon what is called "paper money" is therefore a war upon the poor in favor of the rich; and that the war being made upon it has precisely that effect is proved by the fact, that the western farmer is now being impoverished by reason of such a reduction in the price of corn and oats that the former is being used as fuel while the latter is being sold at 8 cents per bushel, houses and lots in the neighborhood of Wall Street commanding at this moment prices such as had never before been heard of. That such a war *can* have no end other than that of political revolution the most complete is so absolutely certain that, regarding as I do the future of the country and that of the administration as being inseparably linked together, I feel it a matter of positive duty most respectfully to ask that you should once again examine this question with a view to satisfying yourself that at no time in our history has there existed any such "plethora of paper money" as that of which you speak; and, that the supply of the medium of circulation is not only not in excess, but is, at this moment, so far below the real needs of our people that any attempt at further reduction must be attended with financial and political dangers of the most serious kind.

In another letter I propose to show what are the relations between "paper money" and societary force, and meanwhile remain, my dear sir, very respectfully and truly,

Yours,

H. C. CAREY.

PHILADELPHIA, February 5, 1866.

LETTER FIFTH.

DEAR SIR:—

OF all the phenomena of the physical world there is none so wonderful, none whose action is so entirely beyond the reach of observation, as is that of electricity. At times it makes its existence manifest, as when it performs the very trivial act of shattering a tree or destroying a life; but when engaged in the wonderful work of aiding in the production of universal vegetable and animal life, its operations are so entirely invisible to the eye that few among the thousand millions of the population of the earth could, even now, be induced to believe in its existence.

As it is with electricity in the physical world so is it with money in the social one, the vigor and importance of its operations being in the inverse ratio of the manifestations of its existence. At every purchase and every sale of the thousands of millions of sales and purchases made in the higher commercial ranks of a great city, *the money passes, yet is it never seen.* Passing downward we find, at each successive stage of the descent, the manifestations of its existence becoming more abundant, as the operations become more trivial, the *letter of credit* "greenback" here, and bank-note there, becoming more and more required in every exchange of labor or its products. Arriving at the lowest stages, we find ourselves among a people indisposed to use these latter for even the smallest sums, and greatly preferring the copper coin to the three or five cent note—*the diminutiveness of the exchange keeping steady pace with the constantly growing materiality of the instrument required for its performance.*

So precisely is it as we pass from our great and populous cities towards those regions of the West in which States are being formed whose total population scarcely exceeds that of single wards of Philadelphia or New York, the societary movement becoming at each and every step less and less rapid, and the necessity for a material representative of value more and more urgent, until at length we reach those regions in which, to the present hour, no bank has yet been tolerated—no "greenback" used for purposes of circulation—and perhaps no contract made that could be otherwise redeemed than by actual delivery of the precious metals. As a consequence of this it is, that while cheapening gold throughout the world, the price there paid for the use of machinery of circulation is higher than in any other community of the world claiming to rank as civilized. The societary movement of the distant West is therefore, in this respect, nearly on a par with that of the lowest and least productive portion of our city population, credit, circulation, and the substitution of mental for muscular power, travelling always hand in hand together, and thus producing increase of societary force.

The substitution of circulating notes for coin constitutes an important step in the progress of civilization; and yet, a further and more important one would still remain, to wit: that of so elevating the whole population of a country as to enable the little people, those who work, to do as do those great ones who profit of their labors, performing all their exchanges without the aid of any material representative of the money to be paid.* That, of course, could never be accomplished, and the idea is here suggested merely with a view to calling you attention to the fact, that it is *in that direction lies the road towards real civilization.* Sufficient

* In no part of the world is this so nearly accomplished as in New England. Nowhere does there exist in such perfection the machinery of circulation. Nowhere is it obtained at so small a cost.

will it be for us if we shall take the first great step by bringing up our whole people, the near and the distant, the inhabitants of Atlantic cities and western territories, to a full comprehension of the advantage to be derived from the steady and regular use of the *letter of credit* known to the world as the "greenback;" or that other one known as the national bank note. At times, the feeling of a necessity for this has produced an effort in that direction as when, in 1835, the paper circulation had reached $100,000,000; and again, in 1856, had attained to double that amount, to be, however, in both cases followed by collapse and ruin. Why was this? Because of an excess of circulating *notes?* Assuredly not, for, with a widely scattered population whose need for a tangible representative of money was then *thrice greater* than that of the European manufacturing nations, the amount in actual use was *not even one-third as great*, per head, as that we see to be required in both France and England. The real cause of the fearful changes to which you have referred is found in this, that, while requiring our people to regard the precious metals as the basis of all their contracts, we had overlooked the one great fact, that those metals travel always *from* semi-barbarous countries *to* those which are civilized; *from* those in which the rude products of the earth are cheap, *to* those in which they are dear; *from* those whose people, like our own, are employed in selling their soil in the forms of corn and cotton, *to* those which bring from abroad rude products and thus enable themselves to create a real agriculture; and *from* those in which labor is performed by the unassisted human arm, *to* those in which coal and iron ore are so utilized as to give to each and every individual the service of willing slaves who do the work, requiring in return neither meat nor drink, neither clothes nor shelter from the weather. *The raising of raw products for distant markets is the proper work of barbarous communities, and none such has ever yet, nor ever will, maintain a specie circulation.*

The collapses came in 1837 and 1857, and with what effect? Who were they that then most severely suffered? Was it not the people of the West, from whose midst the circulating note so wholly disappeared, driving them back to that barter system from which they but then had made an effort to escape? Who profited? Was it not the wealthy of our cities, in whose hands then centred nearly all the circulating medium of the country? Assuredly was it so, and thus were the rich of the East made richer while the poor of the West were made poorer than they had been before. With the opening of the rebellion there came, throughout almost the entire West, a third collapse, and with precisely the same results, ruin to the man who was in debt, and increase of wealth to the already wealthy owner of New York and Boston lots and houses.

Now again has there been made a great effort towards enabling our western friends to accomplish that great step on the road towards civilization which consists in substituting *letters of credit* for material money,

thereby imitating, in a very small degree, the mode of operation of the great men, and great centres of the world; the work this time having been undertaken by a corporation of whose solvency none could doubt, offering, as it did, a mortgage on the whole property of the Union as security for the performance of its engagements. With what effect on this occasion? With that of stimulating the societary action to a degree that in all the world had never before been known, and so stimulating production as to have enabled us not only to lend to the Government thousands of millions; not only to make to it *donations* of service and of commodities to an amount scarcely less than $200,000,000 a year; but simultaneously therewith to add to the wealth of the country to an extent that finds no parallel in the records of mankind.

Such a result, my dear sir, might have been expected to bring with it an almost universal conviction that we had at last *stumbled* upon the real road to progress; that in a great deficiency of the machinery of circulation had been found the essential cause of many of the most serious difficulties of the past; and, that it would be desirable to proceed onward in the same direction, stimulating production and gradually placing our people in a position to accumulate such a store of the precious metals as would enable each and every man to determine whether to content himself with individual promises such as, in the great marts of commerce, have now so entirely superseded the circulating note—to demand the note—or, still further, to insist upon the delivery of the coin itself. Such is the point at which we should desire to arrive—such the one at which we should arrive, could our people but be persuaded once to see that the substitution for coin of the circulating note is one of the evidences of advancing civilization; that its convertibility into coin is dependent on the maintenance of a system that shall cause the inward current of the precious metals to exceed the outward one; and, that to attempt resumption in face of a system that not only makes demand for all the produce of California mines, but year after year adds hundreds of millions to our foreign debt, is a course of action that must result in financial revulsion, to be followed by political revolution the most complete.

Journalists, however, my dear sir, tell us that circulating notes cause speculation; that speculation causes men to travel about when they should be in the field or workshop; that if we would stop this "speculation" we must rid ourselves of the "plethora of paper money" under which we are supposed to suffer; and, that the way towards financial and political salvation is to be found in sending abroad bonds with which to purchase such supplies of the precious metals as will enable each and every man to determine for himself the sort of money in which he will be paid.

What, however, is this "speculation" that is the cause of so much evil? The lad going forth from school "speculates" with himself whether it will be best for him to become a farmer or a trader. Arrived at man's

estate, he "speculates" as to whether he can be best employed in mining coal, making cloth, smelting iron ore, sinking shafts, building mills, erecting furnaces, making roads, or buying treasury bonds. These things he does only after carefully "speculating" as to the direction in which he is to look for the largest return to his labor or his capital, or both. He is *speculating for a rise*, as is every employer of capital, every really useful man amongst us. He desires that money may be abundant, and that the charge for its use may be small. With *that class* of speculators—farmers, laborers, mechanics, manufacturers, road makers, and others—the National treasury has been allied throughout the past few years, and from that alliance has come the power successfully to prosecute the great war that has just now closed. To those "speculators" stand we now indebted for the facts, that our railroad facilities are twice greater than they were five years since; that our furnaces are capable of producing more than 1,200,000 tons of iron, and our rolling mills annually 750,000 tons of bars; that houses have grown in number in full accordance with the growth of population; that oil wells have been developed capable of supplying the home demand and giving us annually 30,000,000 of gallons for export; that the supply of food has grown from less than a thousand millions of bushels, to more than twelve hundred millions; that the supply of wool has grown to more than a hundred millions, woollen mills having meanwhile grown to such extent as still to need from abroad large supplies; and, that in almost every department of manufacture we have made in the midst of an expensive war, a progress such as is without a parallel in the whole history of the world. Such having been the works of *speculators for a rise*, is it, my dear sir, possible to feel surprised that the alliance between them and the treasury which subsisted throughout the whole period of Mr. Lincoln's administration, should have proved to the latter so highly advantageous?

There is, however, another class of men, who, while building no houses, making no roads, opening no mines, erecting no furnaces, stand always ready to purchase them at the sheriff's hands. These men, being *speculators for a fall*, desire that money may be scarce and interest high; and with them it is that the Treasury, wholly unintentionally on your part as I am very certain, is now allied. With them, too, if we may judge from the bill that is now before the House, it seeks to form a still more close alliance. It is, however, the alliance with sin and death, and can lead to no result other than that of financial and political ruin. Worse than to Hercules was the poisoned shirt of Nessus, has at all times proved the contact with such men. Worse than in any other nation it has ever been, must it prove with us.

The consequences of this alliance exhibit themselves in the facts that while, on unquestionable security, money abounds and is very cheap in Wall Street, it is very dear to all who seek to use it in any manner likely

to increase production. Railroad stocks and bonds are cheap. City bonds, paying six per cent. interest, sell at 90 per cent. Cities pray to be permitted to pay 7 per cent. Treasury bonds, paying in gold 6 per cent., command in market less than par. Scarcity of money presses into market the seven-thirties, men who helped the government in the day of its need now finding themselves compelled to sell at heavy loss, thereby aiding in building up the fortunes of those who throughout the war have "speculated" for a fall, and have witnessed with regret the triumph of loyalty over treason that has been secured. Step by step, with every movement in this direction, the societary movement becomes more sluggish, with steady increase in the number of men who seek employment and cannot find it.

Simultaneously with decline here in the demand for labor comes advice from Illinois, that so low has fallen the price of food that farmers are "holding indignation meetings," at one, at least, of which, it has been proposed to plant in the coming season but half the land that had been planted in the years that have lately passed. Paralysis of the farm goes thus hand in hand with that of the workshop, and must result in paralysis of the party that has so successfully made the war, and that now requires of us that we should do that which no other nation ever yet has done, to wit: maintain a specie circulation while exporting little or nothing beyond the rudest products of agricultural and mining labor.

Cheap money—low interest—enabled our working men to prosper, built up that party, carried us through the war, and gave us our present position before the world. That dear money—high rates of interest—will swamp both the party and the country, is the firm conviction of, my dear sir,

Yours very respectfully,

HENRY C. CAREY.

PHILADELPHIA, February 5, 1866.

LETTER SIXTH.

DEAR SIR:—

The farmer—having throughout the war given his own services, thereto adding perhaps the life or lives of his son or his sons, to his country's cause—finds, now that victory has been achieved, that he is compelled to accept for his oats 8 cents, and for his wheat 40 cents, while corn so much abounds that burning it has become more advantageous than carrying it to market. Seeking the cause of this, he turns to journals eminent for their Republicanism, there to find that there exists a "plethora of paper-money;" that the prices of food are too high to permit

that it should go abroad in search of gold by help of which to achieve resumption; that he and his neighbors have become "speculators;" and that the way to salvation for the country lies through such a war upon this "paper-money" as will have the effect of compelling his neighbors and himself to sell their food and their wool at prices to be fixed by other "speculators" in Chicago or Cincinnati, representatives of great capitalists of New York or Liverpool who have not only withheld from the government all aid, but have given their best efforts for accomplishing the dissolution of that Union in whose behalf he has made such heavy contributions. Severely feeling the effect of this, he applies to the Republican editor for a corresponding reduction in the price of his journal, receiving for answer the assurance that paper, wages, taxes, and rents remain so very high, that war prices must continue to be maintained. Asking next for a reduction of his taxes, he learns that the public debt is large; that the interest is great; that the people who have *lent* greenbacks when gold was at two and a half for one are anxious for such a fall of prices as may enable them to double their consumption of food and clothing; that the public debt must be diminished; and that, for all these reasons, the full war rate of taxation must not only be maintained, but may be much increased.—Unable to sell his corn, he seeks to convert into money the certificate he holds as representative of little savings placed in the public funds at a time when necessity compelled the Treasury to court the aid of little people like himself, but finds that he can do so only at a loss of two, three, or even five per cent. Failing here, he seeks to borrow the trifle that he needs, but receives for answer that, money having become so scarce as to have raised the Chicago rate of interest to two per cent. per month, it is no longer to be lent in the country at any price.—Seeking to buy a shirt, he finds that prices have but slightly fallen. Inquiring the cause of this, he learns that cotton manufacturers are making profits that are almost fabulous. Why, then, he inquires, do they not increase the number of their mills? To this he receives for answer, that the men of enterprise throughout the country have had positive Republican assurance that the "plethora of paper-money" shall be brought to an end; that the price of food shall be made to fall; that labor shall once again be cheap; and that, under such circumstances, none dare now to risk the building of either mills or furnaces.

The laborer, too, finds that since the day on which he volunteered his services for the war great changes have been brought about. Then, there were two men ready to purchase service where there was but a single one seeking to sell it. Now, however, all has changed, the sellers having become more numerous than the buyers. His wages having fallen, he seeks reduction of his rent, instead of which he receives notice that it has been advanced. Inquiring the cause of this, he learns that there has been, and is, a "plethora of paper-money;" that food and wages have

been too high; that contraction is the order of the day, and that prices must be reduced; and that, until they shall have been so reduced, none can risk their means in building either houses, mills, or furnaces. "Speculators," as he is assured, have already built more furnaces and rolling-mills than are now required. "Speculators" have brought into cultivation so much land, that corn can no longer find a market. "Speculators" have sunk so many wells, that the price of oil has greatly fallen. "Speculators" have made so many roads, that railroad stocks have become mere drugs in the market. "Speculators" have taken so many treasury bonds, that they can no longer hold them. "Speculators" for a rise—working-men—men who *employ* money—those who have carried the country through the war—have been becoming too independent. The time, as he learns, has now arrived for those who "speculate" for a fall—for those who have money to lend—those who have *not* helped the government in its time of need—those who are to reap the harvest when the "plethora of paper-money" shall have ceased to exist, and when we shall have returned to those "good old times" of the Buchanan administration, throughout the whole course of which the Treasury could never have commanded the use of a single hundred millions at any reasonable rate of interest.

At all this the wealthy capitalist rejoices, receiving ten or twelve per cent. where before he had only five or six, and buying at heavy discounts the bonds of those who had helped the government when its existence had been most endangered.

The wealthy manufacturer goes on his way rejoicing in the idea that the danger of increased domestic competition has passed away.

The receiver of fixed income rejoices in the idea that decline in the price of gold now enables him to live abroad and profit by the lower rents and lower prices of continental Europe.

The British manufacturer rejoices in the knowledge that he is from day to day becoming more and more "master of the situation," and more and more enabled to dictate the prices at which he will buy, and those at which he will sell.*

The Copperhead, knowing well that to an activity of circulation without parallel in the history of mankind the government has been indebted for power to make the war, now rejoices in the gradual spread of a *paralysis* that in every stage of its progress is more and more preparing tax-payers to seek a change of rulers.

Throughout the war, as has been shown, the National Treasury had for

* "We know of manufacturers in the linen trade who have been making as much as £1,000 per day in goods chiefly for the American market, and such was the demand for their goods that they were masters of the situation, and in the matter of terms they naturally dictated their own."—*Sheffield Iris*, Jan. 12, 1866.

its allies the men who worked—*those who sought to rise*—those to whom it was desirable that money should be cheap; and to that alliance have we been indebted for all our past success. Now, the alliance is with those who do not work—those who, *having risen*, have money to lend—those who desire that food and labor may be cheap, and money dear. To the former we have stood indebted for power successfully to make a war unparalleled in its demands for blood and treasure, and for the existence of a faith in our future such as had never before been witnessed in any country of the world. To the latter stand we now indebted for the facts that faith in the future is gradually passing away; that the burthen of taxation is becoming more and more severe; and that preparation is now being daily made for a financial and political revolution that must result in causing us to forfeit all the advantages that, in the brief period of Mr. Lincoln's administration and at the cost of so many thousand millions, had been acquired.

Believing that careful examination must result in satisfying you that without a change of system the hopes of those who have opposed the government, and the worst fears of those who have throughout sustained it, must all be fully realized, I remain, my dear sir, with great regard,

Yours, very truly,

HENRY C. CAREY.

PHILADELPHIA, Feb. 8, 1866.

LETTER SEVENTH.

DEAR SIR:—

ON a former occasion it was shown that the *tangible* machinery of exchange of France was in the ratio of $30 per head, and that of Great Britain in that of $25; whereas with us it now stood at not over half of this latter quantity. When, however, we come to compare it with the surface over which such machinery is needed to be used, we find, as I propose here to show, differences so exceedingly great as fully to warrant the assertion heretofore made, that no people other than our own could, by any possibility, have effected so large an amount of exchanges while having been allowed the use of so really trivial a quantity of the machinery by aid of which alone they could be made.

Thirty years since the circulation of France, then altogether specie, was estimated at more than $600,000,000, or three thousand dollars per square mile. It now exceeds $1,000,000,000, or more than *five thousand dollars per mile*. At the first of these dates, her annual exports scarcely exceeded $100,000,000, or three dollars per head; but they since have nearly trebled.

In the same time the machinery of circulation of Great Britain has been so much improved that the necessity for the use of coin, or of any other *tangible* evidence of the existence of the power of purchase, has much diminished; and yet, with every step in that direction there has been an increase of the quantity thereof in daily use. At the present moment it bears to the surface over which it needs to be used nearly the same relations as does that of France, being certainly not less, and probably greatly more, than *five thousand dollars per square mile;** each successive stage of the increase therein having been accompanied by a growth of foreign commerce fully corresponding with that observed in France.

Such being the facts, to what extent do they correspond with the teachings of the learned men who, following blindly in the steps of Hume, so confidently assure us that every increase in the quantity of money used tends to render a country worse as one in which to buy, though better as one in which to sell? Do they not, on the contrary, prove directly the reverse of this? Do they not show clearly that every increase of power to command the use of machinery of circulation is attended with improvement in the condition of a country, *both as sellers and as buyers?* That such is the case can no more be questioned than can the existence of the facts, that light invariably follows the rising of the sun and absence of light his disappearance. Nevertheless, all our practice, as it is proposed now to show, has been in direct accordance with the teachings of learned Thebans who have thus far failed, and yet do fail, to recognize the existence of the great principle, that *the power of accumulation exists in the ratio of the rapidity of circulation.*

Looking now homeward we find that thirty years since, say in 1835–6, the quantity of circulating notes here in use did not exceed, and was probably considerably short of, $120,000,000. Adding to this the little specie then in use, we obtain an amount that certainly could not have much exceeded $170,000,000. The surface then wholly, or partially, occupied, was about 500,000 square miles, and the total circulation must have averaged about *three hundred dollars per mile*, or *one-seventeenth of that now used in France and England.* Shortly before, by aid of a *National* free trade tariff, our public debt had been extinguished, but at that date the effect of a *British* free trade policy had commenced to exhibit itself in the cessation of all disposition to build mills, all effort at development of our mineral resources; and, in the purchase abroad, on credit, of the cloth and iron that should have been made among ourselves. One year later, our foreign credit having become exhausted, there arose a demand so great for the precious metals to go abroad, that banks were compelled so far to curtail their loans that, to avoid the production of an universal

---

* A recent writer states the amount of the precious metals in actual use, and exclusive of that in the bank vaults, at $400,000,000. This would give a total circulation, per square mile, of more than $6,000.

bankruptcy, they themselves at length suspended payment. For all this, as we then were told by Mr. Van Buren, had we been indebted to a "plethora of paper money;" whereas, we now most clearly see, that in *actual amount* it had been less than is at this moment the "paper money" of France, in which a note is rarely seen. Some years later, the precious metals having wholly disappeared, the total circulation of the country was but $60,000,000, the equivalent of three dollars and a half per head, or *one hundred and twenty dollars per square mile* of settled territory. As a consequence of this, the societary circulation had almost ceased, the laborer having been unable to find a market for his labor; the planter and the farmer having been compelled to sell their products at prices lower than had ever before been known; and the general rate of interest having meanwhile attained a point that till then had been almost unexampled. The sheriff expelled the landholder, and an outraged people followed suit by expelling that one of their Presidents who stands now in history as the man by whose advice had been commenced, and by whom had been carried out, the first of our crusades against "paper money;" that executive magistrate who bequeathed to his successor such a condition of the national treasury as made it necessary to send to Europe agents empowered to borrow money, not even a single dollar of which could be then obtained.

Twenty years later, in 1856, the surface occupied having then been nearly trebled, the quantity of circulating notes in use amounted to $200,000,000. California had, meantime, given us hundreds of millions of gold, nearly the whole of which had gone to Europe to pay for cloth and iron that should have been made at home. Some little had, however, here remained, and adding now that little to the circulating notes, we obtain a total of probably $300,000,000, the equivalent of $10 per head, or *two hundred dollars per square mile.* The $200,000,000 of foreign debt of Mr. Van Buren's day had meanwhile grown to $500,000,000, as a necessary consequence of which our credit had become again exhausted. Banks then again stopped payment, and then again were we told that to a "plethora of paper money" had been all our troubles due. Now again did the internal commerce perish, the laborer finding himself unable to sell his labor, or to purchase food and clothing. Now again did the price of money rise to such a height as had scarcely before been known. Now again did the sheriff everywhere expel the farmers and the landholders. Now again, too, did the people expel a President who stands in history as the man who had aided and abetted Mr. Van Buren throughout his crusade against the democratic "paper money;" the one who, notwithstanding all the vast treasures that by California had been supplied, bequeathed to his successor a National Treasury without a dollar, and a public credit so impaired that on a mortgage of the whole property of the Union but the most trivial sums could, by any effort, be obtained; and

those too at a rate of interest so high as to be worthy of the weakest and most contemptible countries of Europe, and of them alone.

Three years later, at the close of 1863, the circulation had risen to more than $600,000,000, the surface over which it was needed to be used having, because of secession, meantime declined to less than half. To the population of the loyal States it stood in the ratio of about $30 per head; but to surface it was only *six hundred per mile.* As regarded the former it had risen nearly to a level with that of France and Britain; but as to the latter, it yet stood, as compared with them, in the relation of but *one to eight.* The increase, as compared with 1835, had scarcely been greater than that of France and not a third as great when considered with reference to the growth of population; yet had it so stimulated the societary circulation as to enable us not only to furnish to the government, as loans or revenue, nearly a thousand millions a year; but also to make to it *donations* to an extent that had never before in all the world been known—wealth and power meantime growing among our people with a rapidity so great as not only to have astonished ourselves, but also amazed the world.

With the close of another year we arrive at the last session of Congress to find that body much embarrassed by the questions—*First,* as to how, with an empty treasury, to pay the hundreds of millions then required for discharge of its contracts with soldiers in the field, and with contractors at home who had supplied the food, the clothes, and the transportation that had so much been needed; and *second,* how to guard our people against the dangers to which the internal commerce might find itself exposed on a sudden change from war to peace. Taxes on that commerce had been so heaped up that, in many cases, the foreign manufacturer had been placed almost exactly on a footing with the domestic one; while in very many of them almost the only protection left consisted in the fact, that internal duties were payable in paper, while for those on imports gold was still required. Two causes for embarrassment being thus presented for consideration, it was needed that they should be so disposed of as carefully to protect both the people and the government throughout the long period that must intervene before Congress should be again assembled. In what manner was this done? Let us see.

The claimants on the Treasury did not demand payment. All they asked was, that Congress should authorize the Secretary to give to each and every of them promissory notes, payable at its own pleasure, and bearing no interest; but of such a character as would facilitate their use for the support of families, and for the payment of debts. This *they had a right to demand,* and no honest man in private life could have ventured to refuse it. Congress, however, did refuse to grant the modest application, and for the reason that it feared that such a course of action might have the effect of raising the price of gold, that rise to be, perhaps, followed

by a general rise of other articles. Had it, however, studied the facts given by me in a former letter, it must have seen that there had really been very little change in the prices of our products other than that which it had been the object of the tariff of 1861 to produce, as a consequence of the creation of a great domestic market. Labor had been in great demand, and the laborer fully paid. All had had it in their power largely to consume, and the farmer profited of the liberal demands of the artisan, the loyal party of the north meanwhile profiting of the farmer's votes; and the country of the inducements thereby offered to immigration. Failing to see these things, and failing, too, to see that "honesty" was always "the best policy," Congress adjourned, leaving soldiers and their families, contractors and their creditors, to wait the slow process of borrowing money at high rates of interest; when, with a word, their demands could have been so discharged as greatly to have stimulated our internal commerce, while enabling the Treasury readily, and at low rates of interest, to obtain the balance. The erroneous and dishonest course of action then adopted now costs the country more than $20,000,000 in annual interest, its effect meanwhile having been that of causing a waste of productive power greatly larger than our present enormous revenue. Thus have the people been doubly taxed, with corresponding diminution in their power to aid the government; and *therefore it is that the Treasury finds itself now reduced to look to foreign bankers for the help so greatly needed.* Of all the financial blunders ever made it stands now forth as one of the worst. Why it should have been made was that Congress then had, as few of our people have even now, no proper appreciation of the fact, that *of all the commercial nations of the world our own is the one that is worst supplied with the machinery of circulation—that machinery for the use of which men are accustomed to pay interest.*

From that time to the present, the whole tendency of the national action has been in the direction of lessening the supply of that machinery and increasing the price paid for its use, the result now exhibiting itself in the facts, that while in the intervening period we have increased by one-half the number of people who need its services; while we have more than doubled the surface over which it must be used; while throughout the additional surface there is a total absence of such machinery; we have by a full third reduced the quantity in use; the present actual amount being but $460,000,000, the equivalent of $12 50 per head of the population, and of less than $300 per mile of wholly or partially occupied surface, the proportions being thus less than half of those above exhibited as having existed in the prosperous days of the close of 1863.

How this is now affecting our internal trade is shown in the following figures exhibiting the receipts of free State produce at New York in the month of January for this and the two past years:—

	1864.	1865.	1866
Ashes, bbls.	1,399	937	540
Wheat flour, bbls.	315,906	173,451	100,564
Corn meal, bbls.	35,699	42,405	26,954
Wheat, bush.	10,507	5,819	28,137
Rye, "	5,657	2,382	2,405
Oats, "	284,726	219,469	159,414
Barley, "	63,603	29,751	35,532
Peas, "	687	5,131	2,585
Corn, "	160,039	142,680	178,651
Pork, pkgs.	45,826	36,326	17,311
Beef, "	28,384	25,939	3,261
Cut meats, pkgs.	40,966	18,024	4,245
Butter, pkgs.	40,028	67,828	42,413
Cheese, "	15,096	25,018	6,300
Lard, tcs. and bbls.	10,658	14,872	10,167
Lard, kegs	1,683	94	2,031
Whiskey, bbls.	36,802	6,199	7,383
Petroleum, galls.	55,452	41,694	98,062

The above is copied from a journal whose editors have, of all, been most urgent that the "greenback" circulation should be withdrawn with a view to reduction of prices and extension of our power to supply with rude produce the distant markets of the world—"thorough [illegible]ation" being meantime maintained with a view to extinguishment of the public debt, and thereby "killing the goose" in the vain hope of "finding the golden egg." How far the foreign commerce of the port profits by this course of action is shown by the following comparison of the monthly exports taken from its columns:—

	1864.	1865.	1866.
Ashes—Pots, bbls.	478	516	502
Ashes—Pearls, bbls.	21	58	10
Beeswax, lb.	38,381	32,549	38,001
Wheat flour, bbls.	166,768	126,906	117,318
Rye flour, "	409	. . .	120
Corn meal, "	12,987	14,366	7,235
Wheat, bush.	1,282,313	43,834	58,226
Rye, "	105	141	25,427
Oats, "	1,353	7,560	18,733
Peas, "	37,831	6,047	7,761
Corn, "	10,999	30,835	551,320
Candles, bxs.	10,577	16,403	6,527
Coal, tons	1,313	3,071	455
Hay, bales	1,886	4,479	6,088
Hops, "	3,929	3,844	107
Lard, galls.	10,509	2,947	2,182
Linseed, galls.	1,564	2,578	466
Pork, bbls.	14,876	12,222	8,396
Beef, "	2,679	4,776	1,991
Beef, tcs.	12,844	7,217	4,673
Cut meats, lb.	15,745,514	4,354,303	2,193,678
Butter, lb.	3,317,125	2,166,137	239,837
Cheese, "	2,743,334	4,834,989	1,538,742
Lard, "	3,265,832	2,954,660	2,423,345
Tallow, lb.	4,193,548	3,674,420	1,285,170
Petroleum, galls.	1,321,517	630,031	3,086,194

The more abundant the machinery of transport the greater will be the quantity of goods transported, and the less the charge for transportation

to the great advantage of producer and consumer, and to the great benefit of the governing power. The more perfect the supply of the machinery of exchange the more prompt and numerous will the exchanges be, and the lower the rate of interest, to the great advantage of both public and private revenues. At the present moment this latter is greatly short, and hence the existence of a *paralysis* by means of which we are, as it is asserted, to reach *resumption*. To me, however, it appears to be the road by which most speedily to attain the point of a disgraceful and wholly unnecessary *repudiation*.

Believing that careful study of the facts must result in satisfying you of the accuracy of the views thus presented, I am, my dear sir, with great respect and regard,

Yours truly,

H. C. CAREY.

PHILADELPHIA, February 10, 1866.

CONCLUSION.

DEAR SIR:—

Influential Republican journals, by many supposed to represent the views of the Administration, are proving daily to the men of intelligence and enterprise—those "speculators" who have created the mills, furnaces, and mines to which we have stood indebted for power to make the war—that not only must they no longer rely upon the co-operation of the national authorities, but that they may count securely upon their opposition or oppression.

Appealing constantly to the ignorance, but never to the intelligence, of their readers, they denounce such men as belonging to a class whose ruin should afford just cause of triumph to all who in the past few years have sought to aid their country's cause.

Crippling those who had commenced the creation of new mills and furnaces, they have already closed many of those that had been throughout the war at work, and are now most effectually preventing the undertaking of any new enterprises tending towards development of our mineral wealth, or towards increase of our industrial forces.

Therefore is it:

That we are largely and rapidly diminishing the demand for human service, and lessening the power of the laborer, the mechanic, and the miner to claim reward for labor; this too being done at the very time when thousands and tens of thousands of able-bodied men have been, and are being discharged from the public service; the very time, too, when

active and earnest men are engaged in an effort to draw from Europe the supplies of men required for enabling us to develop our vast resources:

That we are lessening the demand upon the farmer for the fruits of the earth, and compelling him to increased dependence on foreign markets:

That there is a decline in the power of our people to maintain with Britain that competition for the production and sale of cloth and iron to which alone can we look for such reduction of their prices as may compensate the farmer for the burthens of the war:

That, while reducing the prices of food and labor, we are largely and rapidly raising the general rate of interest, thereby enabling those who *do not* work to profit at the cost of those who *do:*

That we are making taxation more and more burthensome while lowering the rate of exchange to the great advantage of those who prefer to expend their incomes abroad rather than do the same at home:

That we are thus daily making it more impossible that our mills and furnaces should supply the domestic market; that those who "live at ease" should apply their means to the advantage of those who labor; that ships should be built to enter into competition with those of Europe; that we should in time of peace extend, or even maintain, that independence to which we have been indebted for recent success in war.

As consequences of all this, we are—

Supporting abroad, at an estimated annual cost of $100,000,000, a hundred thousand of our people engaged in consuming foreign food and paying for foreign labor:

Enabling foreigners to deluge our markets with cloth and iron in the production of which have been consumed hundreds of millions of bushels of foreign food:

Maintaining those foreigners in a monopoly of the carrying trade between this and Europe, and thus compelling our own people to the exclusive use of ships that represent both foreign labor and foreign food:

Increasing in every manner that can be devised the demand for the capital and the skill of Europe while destroying demand for the wonderful mechanical skill of people at home:

Raising the prices of all the things we need to buy, money included, while lowering those of all that we need to sell, stocks and bonds not excepted:

Buying now, annually, to the extent of hundreds of millions of dollars more than we have, or are like to have, to sell:

Exporting every ounce of gold yielded by California:

Increasing daily the necessity for going abroad to beg for loans, and thus adding to a foreign debt that now already exceeds a thousand millions of dollars:

Selling abroad at little more than half price bonds that must, at full prices, be redeemed in gold:

Paying thereon, on the security of the whole property of the Union, a rate of interest unknown to any really civilized people of the world; and more than thrice the rate at this instant paid by that British government with whom we should be now contending for control of the commerce of the world:

Compounding interest by borrowing the money with which to pay it, and thereby doubling its amount in less than half a dozen years.

Such being our present course of operation, it may be not improper here to ask the questions: "Why it is that such things should now be done?" Why is it that we have so entirely abandoned the policy that carried us so triumphantly through the war? Seeking a reply thereto, we find it in the fact, that our eyes are closed to the existence of a very simple principle whose perfect truth has recently been so fully demonstrated as to make it absolutely marvellous that it should now be doubted—that principle being embraced in the following words: to wit, THE POWER OF ACCUMULATION EXISTS IN THE RATIO OF THE RAPIDITY OF THE SOCIETARY CIRCULATION.

Throughout the war that circulation steadily increased in its rapidity, and for the reason that a really *national free trade policy* created demand for labor and its products, a really *national system of circulation* meantime giving to the internal commerce facilities of exchange such as it never before had known. Since the peace, however, we have been travelling backward, and undoing all that had so well been done—piling up taxes on one hand, while, on the other, not only refusing to our people the power to create for themselves machinery of circulation, but actually *frightening home* that which previously had been furnished; doing this, too, to such extent that *the quantity now in use bears to the exchanges needed to be performed a proportion that, with the exception of the closing years of our most calamitous British free trade periods, is less than has ever yet been known.*

The periods thus referred to are the following:—

I. That one which followed the conclusion, in 1815, of *political peace* with Britain, to be followed by that *industrial war* which was proclaimed by Messrs. Brougham, Hume, and other British *liberals*, when they announced in Parliament their determination to "strangle in the cradle" the then growing manufactures of America and of Europe; that one in which British hostility to American industry produced a general paralysis like to that which is now again so rapidly approaching, and thus enabled General Jackson, by aid of his admirable letter to Dr. Coleman, to reach the presidential chair:

II. That one in which bankruptcy of the treasury and general ruin of our working men paved the way for expulsion of Mr. Van Buren from the chair of state:

III. That one in which public and private bankruptcy, civil war, and

almost universal ruin, were exhibited to the world as the bequest of Mr. Buchanan, on his retirement from public life, to the people to whom he had stood so much indebted.

From all this we speedily recovered, doing so by aid of a *national* free trade tariff, and a *national* medium of circulation. *To* all of it we are now returning, having, by means of internal taxes, almost re-enacted the *British* free trade tariff, and being now engaged in frightening out of use even the existing circulation. Let us so continue, and we shall soon be called to witness a political revolution quite as thorough as were those which drove to private life the two of our public men who, of all others, had placed themselves most fully on record as opposed to progress in the direction of that substitution for coin of the circulating note by means of which the farmer, the laborer, and the mechanic are brought more nearly on a level with the great men who live at their expense—those who build palaces by aid of the performance of exchanges to the extent of thousands of millions without the use of a dollar of coin, and almost without being required to use a single note.

For all this the remedy, my dear sir, is clearly indicated by your present action in reference to the fractional currency, of which, as we are informed, nearly half a million per week has recently been sent to the Southern States. The people of those States needing such notes they are at once supplied. Why, however, should they be denied the use of notes of larger size, say of one, two, five, ten, or twenty dollars? Why, even, deny them those of a hundred or a thousand dollars? Why compel them, when selling bales of cotton, to accept payment in notes of less than a single dollar? Why not at once furnish them with facilities of exchange by means of which they may be enabled promptly to discharge each and every engagement they need to make? Why not do the same with the people of the West, thereby enabling the farmer to extend, instead of, as now, diminishing his cultivation? Why not place it in the power of our whole people to do as they did two years since, deal for cash with one another? The simple question that, so far as this question of credit is concerned, is now to be settled, is, whether throughout the whole country our people shall be buying and selling on credit, the poor man everywhere paying to the rich the ten, twenty, or even thirty per cent. demanded for the use of money; or, whether the treasury shall make itself the general debtor to such extent as may enable all to deal for cash, thereby placing the poor man more nearly on a level with the rich one. Adopting this latter course the treasury will give us once again those facilities of exchange to which we have stood indebted for that wonderful rapidity of circulation by means of which labor and capital were so much economized as to have enabled us to *donate* to the treasury hundreds of millions, while *lending* it thousands of millions. Adopting the former, we shall rapidly return to the position in which, by reason of sluggishness of the

circulation, labor and capital were *annually* wasted to an extent greater than the whole cost of four years of the most expensive war the world has ever seen. By means of the one, we shall so deepen the water as to enable the treasury ship to float securely, while advancing steadily in the direction of *resumption;* whereas, by adopting the other, the water must from day to day be made more shallow, until at last there will remain to us, as our only port, that of *repudiation.*

That we may hereafter move in the one here first indicated, all that is needed is that the treasury shall make itself once again "master of the situation," controlling banks and brokers—excellent servants, but the worst of masters—instead of being controlled by them. To that end, let it give full consideration to the great fact, that, notwithstanding the density of population and consequent diminution of necessity for the use of any tangible machinery of exchange, *the coin alone* in actual use, in Great Britain, *is nearly equal in amount to the total quantity of that machinery here allowed for a population greatly larger, and scattered over almost a continent.* Let it remark the fact that, trivial as our allowance now is, the public mind is kept in a state of continual alarm by means of threats of measures of contraction. Let it reflect, that the more perfect the supply of that machinery by means of which alone exchanges are made *from hand to hand,* the more rapid must be the increase in the quantity of that required for making exchanges from place to place. Let it see that the injurious effect of deficiency in the supply thereof increases geometrically as distance from the great centres of commerce increases arithmetically, with constant tendency towards production, throughout the South and West, of that irritation which, if permitted once again to grow as it has in time past done, must result in final dissolution of our Union. Let it see, that in supplying that machinery it is therefore doing what is most required for producing harmony throughout the Union, while diminishing the taxation required for payment of interest on the public debt. Let it then grant to the men of the South, as regards exercise of the power to create banks, and to supply themselves with machinery of exchange, the same freedom that has been already granted to the loyal people of the North. Let it see that with the reincorporation of the South, and consequent extension of the field of commerce, there has arisen a necessity for exchanges greatly more numerous than were required to be performed when, two years since, there was found employment for a circulation greater by almost one-half, than that which now exists. Finally, let it see that the time has come for granting to our people facilities of exchange equal, at least, to those required during the war; and, that by so doing it will at once, and forever, bring to a close the practice of *shinning it* from day to day by aid of those "temporary loans" and "certificates of indebtedness" by means of which banks and brokers, at the cost of public creditors, are enabled to make enormous profits, the treasury mean-

while paying for the privilege of thus postponing payment of its debts, to the extent of little less than a dozen millions per annum.

Let these things be done, and then will there at once reappear that *faith in our future* by means of which we had been enabled to make our way through the wonderful war that has just now closed. Let them be done, and activity and energy will at once replace the paralysis that now so much exists. Let them be done, and there will no longer be *a daily waste of capital and labor greater in amount than the total public revenue.* Let them be done, and at once our people will recommence the building of houses, mills, and furnaces, thereby making demand for the services of the laborer and the products of the farm. Let them be done, and the public revenue will so much increase as to enable you to dispense at once with all those taxes which now so much impede our internal commerce. Let them be done, and the world will soon cease to witness the extraordinary spectacle of a country flaunting the Monroe Doctrine in the eyes of foreign sovereigns, its people meantime besieging every little banking house in Europe, seeking thence to draw some small supply of the "sinews of war." Let them be done, and we shall at once re-enter upon competition with Britain for control of the commerce of the world. Let them be done, and great prosperity will enable our people to more and more retain the produce of California mines; and thus, with profit to all and injury to none, gradually to prepare for that resumption which both you and I so much desire to see achieved. Let them be done, and we shall not only cease, by the export of bonds, to increase our dependence on Europe, but shall gradually buy back those now held abroad, and thus increase our independence. Let them be done, and the great republican party will continue to control the movements of the great Ship of State. Let them be done, and the East and the West, the North and the South, will become from day to day more thoroughly knit together, the Union thenceforward marching steadily forward towards the occupation of that position which its wonderful natural resources, and the extraordinary intelligence of its people so well entitle it to claim, to wit, that of leader of the civilization, and controller of the commerce of the world.

Let them be *not* done and paralysis, to be followed by financial ruin, must pave the way for the destruction of that great party which has carried us through the war, but which, by reason of *deficiency of courage*, has thus far failed to give to the country that prosperity in peace for which it so well had fought, and had so largely paid. Let them be *not* done, and there will be growing discord, ending in final dissolution of that glorious Union in whose behalf so many have fought, bled, and suffered. Let them be *not* done, and the public debt of the Union will, in the estimation of the world, and that at no very distant period, stand side by side with that of the Confederate States.

The question, my dear sir, now before you for determination is, in my belief, the most momentous one ever yet submitted to the decision of a single individual. We have just now closed a little internal difficulty, leaving yet for settlement the one great question as to whether the world is, in all the future, to be subjected to that *British* and *anti-national* system which has for its especial object that of enabling bankers and brokers to enslave the farmers and laborers of the outside world; or, whether the Union shall now place itself in the lead of the now agricultural nations for resistance to that system, and for relief of the agriculturists of the world from the oppressions under which they so long have suffered. Contraction, by means of which the price of money is being so rapidly carried up, looks in the first of these directions and must result in giving the victory to England. Expansion, by means of which there shall be re-established the alliance between the treasury and the employers of money—farmers, laborers, artisans, and "speculators"—looks in the second, and will give the victory to us—health, wealth, strength, and the power of accumulation growing always with growth in the rapidity of the societary circulation.

It may, however, be said that gold will rise in price. That for a brief period it must do so is very certain. So soon, however, as that rise shall have produced the effect of lessening the importations by which we now are being inundated, and so soon as we shall have established a small counter-current of bonds, it will fall again—that fall continuing until we shall have placed ourselves in a position to retain at home the produce of California, thereby enabling ourselves quietly and profitably to resume the use of the precious metals.

Begging you now, my dear sir, to excuse my repeated trespasses on your attention, and earnestly hoping that you may be guided to a right decision, I remain, with sincere regard and respect,

Yours very truly,

HENRY C. CAREY.

PHILADELPHIA, February 17, 1866.

POSTSCRIPT.

DEAR SIR:—

IN one of the journals of the day I find an article on the subject of prices that seems to me worthy of being made the subject of a postscript to the letters with whose perusal I have already troubled you. It is as follows:—

"The advance in house rents and in the price of stores and business places in the large cities, is attracting general attention. At New York the rents paid, and the prices at which favorable locations find purchasers, are subjects of almost daily newspaper comment. The same disposition to run into high figures is observable here and in all cities, and carries with it, to the observant mind, wholesome admonition of the end to which it points. At New York, in some fashionable quarters, the proposed rise in rents for first-class dwellings is, in many cases, from fifty to seventy-five per cent., houses on the Fifth Avenue renting as high as $12,000 a year, while in other localities dwellings which last year rented for $3,000 are now let for $4,000. The rents of stores are correspondingly increased. A store in Broadway, 150 by 25 feet (four stories high), was rented last spring for $40,000 a year. Previously for five years the annual rental was but $13,000. The lease of a corner store, for $12,000, expires next spring, and the owner has fixed on $42,000 a year for the future. The half of a fourth floor, 25 by 100 feet, was rented a few days ago for the sum of $3,000. A corner basement on Broadway rents for $7,000 a year. The *Journal of Commerce* mentions the following case, illustrative of the same extravagant tendency of prices:—

"'A dry goods firm have rented a store for the current year at $15,000. The owner called on them a few weeks since to ask their intentions for another year. They expressed a wish to remain if the terms were agreeable. He offered to treat them fairly, and suggested that $40,000 per annum for a three years' lease would be a reasonable advance. They indignantly refused to treat, and he left. After a few hours' search for another place, they concluded to pocket their indignation and accede to the terms. Calling on the owner for this purpose, they learned that they were too late, the premises having been leased for three years at $50,000 per annum. A further search left them hopeless of securing anything more eligible, and they have purchased the lease of the new parties for a bonus of $10,000. We do not see how these enormous rents are to be met; but we suppose it "will all come right in the end." In the words of a graphic oracle of the market, "if everybody thinks somebody is going to smash, nobody had better tell anybody about it.'"

"We think with the *Newark Advertiser* that it is impossible that the condition of affairs disclosed in these extracts can long continue. There is certainly nothing in the present position of the business of the country to justify such an exorbitant appreciation of real estate values. Already an apprehension is beginning to prevail in some business circles that a crash, induced by natural causes, cannot be much longer postponed; and in any event, it is obvious that should Congress authorize a policy of contraction by the national treasury, a speedy check must be given to the present reckless extravagance of prices."

The "reckless extravagance" here exhibited is, as we are assured, to be checked by "a policy of contraction." In opposition to this, however, we have the fact, that it *follows* a "contraction" that has been for months in progress—one so serious that it has now reduced the "paper money" circulation to an amount actually less, per head, than is the *coin alone* of Great Britain, leaving wholly out of view the hundreds of millions of her "paper money," and the thousands of millions of credit money by means of which she is enabled to transact countless millions of business without the need of either coin or notes. Such being the case, may it not, my dear sir, be possible, that the "reckless extravagance" here referred to comes as the *natural consequence* of a "contraction" that has largely raised the rate of interest throughout the country—that has greatly diminished general confidence—that has caused the present paralysis—and that threatens destruction of the internal commerce; and that the real remedy is to be found in the pursuit of a course of measures tending to the restoration of confidence, such as I have already indicated. That it is so you will, as I think, be prepared to admit when you shall have accompanied me in a brief review of the various phenomena by which the crises of 1837 and 1857 had been preceded, as follows:—

By aid of our first really *national* tariff, that of 1828, the country had, in 1832, been brought to a state of prosperity such as had never before been seen, and the public revenue had so greatly grown as to make it necessary to wholly free from impost duties tea, coffee, and very many articles of general use. Still, however, the revenue grew, and so largely grew as to require that, in order to the absorption of the balance in the treasury, the three per cents., held in Holland, should be extinguished. As a consequence of this, the year 1835 saw the country wholly free from public debt, and almost, if not even entirely, free from foreign liabilities of any description, whether those of States or of individuals. The seed, however, of a great and destructive foreign debt had been already planted, and was destined soon to yield a most abundant crop of fruit. By the compromise tariff of 1833 it had been provided, that all duties on foreign merchandise should biennially be reduced until, in 1842, we should attain the point of a perfectly horizontal tariff of 20 per cent. From that date the population and its demand for cloth and

iron steadily increased, but the growth in number of mills, furnaces, and mines wholly ceased; and with every step in that direction there came a decline in the demand for domestic labor, and in the domestic commerce. With each, it became more necessary to obtain abroad commodities that should have been made at home. Importations, therefore, grew rapidly, and the more they grew the greater here became the waste of labor and of capital. The more that waste the greater became the necessity for looking to Atlantic cities as the only places in which to make exchanges, with constant increase in the rents of city stores and dwellings until, at length, in the spring of 1837, they had attained a point higher than had ever before been known. The day of settlement was then, however, close at hand, our foreign credit having, even then, somewhat declined. It came soon after, bringing with it almost the annihilation of city rents, which were not again to attain the point from which they then had started, until after the restoration of the domestic commerce by means of the protective tariff of 1842. The *real and permanent interests of city proprietors are thus shown to be in perfect harmony with those of mill, mine, and railroad owners, and of those who look for food and clothing to employment in such works.*

Coming now to a later period, we find that at the date of the discovery of California gold another *British free trade crisis* had been close at hand. For a time the influx of that gold staved it off and caused great increase in the rapidity of the societary circulation, the effects of which, as regarded our industrial interests, are clearly shown in the following figures representing the quantity of anthracite coal then sent to market:—

1850 . . .	3,321,000 tons.	1854 . . .	5,831,000 tons.
1851 . . .	4,329,000 "	1855 . . .	6,486,000 "
1852 . . .	4,899,000 "	1856 . . .	6,751,000 "
1853 . . .	5,097,000 "	1857 . . .	6,431,000 "

From 1850 to 1856, as here is seen, there was a steady upward movement. The downward one, however, had now commenced, and as a necessary consequence of that paralysis of the domestic commerce which here exhibits itself in the prices of railroad shares:—

	1852-3.	December, 1856.
Baltimore and Ohio	96	84½
Boston and Worcester	105	83¾
New York and Erie	85	61½
Cleveland and Pittsburg	93	56¼
Michigan Southern	118	88¼
Pennsylvania Central	93	94½
Camden and Amboy	149	124
Boston and Maine	102	77½
Total	843	670
Average	105⅜	83¾

A thousand millions of property had been thus one-fifth deteriorated. Why? Because, that labor was then everywhere being wasted. Because, that mills and furnaces were ceasing to work, and mines were being abandoned. Because, that artisans and miners were wandering everywhere in search of employment, coal meanwhile selling in this city for $3 50 per ton of 2,240 pounds, or little more than now is charged for transporting it less than a single hundred miles on its road to market. Because, that credit was then gradually passing away, the price of money in our cities meantime ranging between 10 and 20 per cent. Importations, however, were immense, and the foreign debt steadily increased, the prices of city lots and rents of city houses meanwhile growing with its growth until at length they attained a height that, even in 1837, had never before been reached.

Thus far, as we see, the parallel is perfect between the periods preceding the great crises of 1837 and 1857, domestic paralysis, pauperism of our people, waste of capital and labor, and destruction of the value of mill, mine, furnace, and railroad property, having gone hand in hand with augmentation of the already enormous foreign debt, and increase in the price of city lots and rents of city stores and warehouses. May the parallel be yet further carried out? Assuredly it may. In both, the foreign credit soon became exhausted. In both, city lots and houses fell with a rapidity greater even than that which had marked their rise, crushing in their fall all whose property had been mortgaged, and thus enabling "speculators" for a fall to profit at the cost of those who had "speculated" for a rise, the rich being thus made richer as the poor became poorer. In both, banks stopped payment. In both, importations ceased. In both, the public revenue passed almost away, leaving the national ship high and dry amid the shoals of bankruptcy. In both, the people marked their appreciation of the public servants by expelling from offices nearly the whole of those, from doorkeeper to President, who, by their war upon the domestic credit and domestic commerce, and by their alliance with those "speculators" for a fall who had built no railroads, sunk no mines, and employed no labor, had aided in bringing about a state of affairs so ruinous to working men of all descriptions, farmers and laborers, miners and artisans—and so utterly destructive of the national character and the national power.

Now again, in 1866, do we find the parallel to the periods that preceded the great crises of 1837 and 1857. Now again, has the domestic commerce become greatly crippled. Now again, are mines, mills, and furnaces idle. Now again, has capital so invested ceased to yield to their owners even the smallest profit.* Now again, does decline in the consumption

* To this cotton and woollen mills furnish exceptions. Why they do so was shown in my fifth letter.

of coal furnish evidence of decay of our industrial interests. Now again, do artisans pace our streets vainly seeking to find demand for services they would gladly render.* Now again, has railroad property fallen, and, notwithstanding our great increase of numbers—notwithstanding the vast advantages enjoyed throughout the war by northern roads—notwithstanding the present enormous rates of freight—so greatly fallen, that they do not now command, in "paper money," even the prices at which they sold when the early supplies of California gold were so stimulating our domestic commerce as largely to increase the demand for coal. In proof of this I give here again the prices of the above-named roads, as follows:—

	1852-3.	February, 1866.
Baltimore and Ohio	98	112½
Boston and Worcester	105	131
New York and Erie	85	82
Cleveland and Pittsburg	93	81½
Michigan Southern	118	71½
Pennsylvania Central	93	111¾
Camden and Amboy	149	118
Boston and Maine	162	118¾
Total	843	827
Average in gold	105⅜	
Average in greenbacks		103⅜

Now again, however, have importations grown, and grown to such a height as to have caused astonishment even in the minds of those excellent British free traders who did the smuggling of the war. Now again does the foreign debt increase at an appalling rate. Now again does the domestic credit disappear, with large advance in the rate of interest. Now again do influential journalists, supposed to represent the views of the administration, stand side by side with "speculators" for a fall, denouncing those "speculators" for a rise to whom we had been indebted for power to make the war; just as, in 1833, we had to such men been indebted for ability to extinguish the public debt; and as, in 1845, we had owed to such the power once again to pay interest on the State and other debts then held abroad. Now again, too, have the prices and rents of city lots and houses attained prodigious elevation—having risen to a point as much exceeding that attained in 1857 as does the wonderful rapidity with which we now are adding to our foreign debt exceed that exhibited in '37 and '57. Then, the annual addition counted by tens of millions only. Now, it counts by hundreds of millions.

The parallel between the preparations for a crisis being thus complete, may it not now, as to results, be fully carried out? Assuredly it may,

* Ten days since an advertisement for hands to work in a machine shop of this city, brought more than *three hundred applications*. Since then, hundreds who were then at work have been discharged.

with the difference only, that when the crash shall come it will be more thorough and complete than any the world has ever known. Why? Because our banks stand to-day on public stocks and bonds, and nothing else. Because our foreign debt is being contracted on the faith of treasury promises, compliance with which is wholly dependent upon receipts from taxation of a domestic commerce now, and rapidly, becoming so entirely paralyzed that it is likely soon almost to cease to have existence. To a large extent those taxes have, in the past year, *been paid out of capital;* but to a larger one must they soon cease to be paid at all. So soon as these results of our present policy shall have become a little more clearly visible, the foreign credit must pass away, and with it the power to collect, in any manner, whether from the foreign or the domestic commerce, sufficient even to meet the annual demand for interest; leaving wholly out of view the thousand millions of floating debt, *payment* of which must then be made—acceptance of other bonds being entirely optional with the holders of those which now exist.

The high city rents of 1836 and 1856 were followed by bankruptcy of banks and merchants, ruin to the farmer, and pauperism to the laborer. Owing little or nothing, the treasury escaped with little more than loss of revenue. Those of 1866 must bring in their train bankruptcy of *the one universal debtor*, that national treasury into which our people have so freely poured so large a portion of the profits of the past few years. The former crises were followed by political revolutions the most complete. The one now impending, if it shall be allowed to come, must bring with it disunion and repudiation, and thus enable the South to achieve in peace the end for whose attainment they made the war.

The cause of all the evil now existing, and all that now is threatened, is to be found in the fact that threats of a resumption that, under existing circumstances, is clearly seen to be entirely impracticable—one that never can take place until we shall at least *begin* to retain the produce of California mines—have wholly annihilated that *faith in the future* to which we have been indebted for past success. If we would avoid the dangers with which we are now threatened—if we would maintain the Union—THAT FAITH MUST BE RESTORED. To that end we now need clear and distinct action on the part of Congress tending towards remedy of that great mistake of the last session, referred to in my seventh letter, which has already cost the country a waste of capital and labor to the full extent of the $600,000,000 then ordered to be borrowed, leaving still that vast amount a burthen to be carried. Let that error be now corrected. Let the treasury borrow *from the people* the $200,000,000 that they will most gladly lend on notes bearing no interest, therewith discharging the floating debt by which it is embarrassed, and for which it now is paying, of annual interest, little less than $12,000,000. Let it arrest the export of California gold by retaining in its vaults all that is not required for pay-

ment of the demands of public creditors. Let it abolish all those taxes by which the domestic commerce is being now destroyed, and it will speedily find itself enabled once again to feel itself "master of the situation," which now it certainly is not.

Nothing that could here be mentioned would so much rejoice our whole people as would a knowledge of the fact that Congress had decided to *permit* them—poor and rich, great and small—to unite in lending to the treasury the sum of $200,000,000, receiving in exchange simple promises of repayment at the pleasure of the borrower. Effecting *such* a loan, the treasury would be at once enabled to accumulate a store of gold, and thus, while enabling our people more readily to pay the diminished taxes, begin to move in the direction of resumption. Selling bonds abroad, in the hope of being able to re-import the gold of California, is but the direct and certain road to *repudiation*.

Let the men who made the war now unite together in giving activity to the circulation and life to the people, and they will find themselves sustained, while the Union will be maintained. Let them continue onward in the present false direction and both must be forever lost.

Once more apologizing for this further trespass upon your time and attention, I remain, my dear sir,

Yours faithfully,

HENRY C. CAREY.

PHILADELPHIA, February 17, 1866.